

11 OCT 1950

Approved For Release 2003/07/30 : CIA-RDP78-01617A006100020067-6

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GENERAL

1. MacArthur's views on Korean elections--According to Colonel Katzin (UN Secretary General Lie's personal representative with the UN Commission on Korea), General MacArthur has expressed the belief that it is important to hold elections in Korea as soon as possible and by the end of the year at the latest. MacArthur is confident he can handle the situation until the elections without imposing military government "in an obnoxious way" but he feels that, from an over-all security point of view, it will be much better to have early elections so that the Koreans may take responsibility for their own affairs at an early date. Katzin commented that he did not see how elections could be held as soon as MacArthur desired, but he agreed that elections should be held as soon as possible.

2. Conflict may develop over Yalu River power plant--US Embassy Moscow expresses the opinion that the important Suiho hydro-electric plant located on the Korean side of the Yalu River (which constitutes the Korean-Manchurian border) will "doubtless" become a source of conflict involving Korean, Chinese, and Soviet interests. In support of this view, the Embassy points out that: (a) the plant was originally built by the Japanese and designed to supply both Korea and a part of Manchuria; and (b) through a Sino-Soviet trust, the plant recently provided power for the Liaotung Peninsula, where Port Arthur and Dairen are located. The Embassy feels that the Chinese Communists may be tempted to occupy the plant to protect their interests, with the resultant danger of a clash between Chinese and UN forces.

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Document No. 009
NO CHANGE in Class.
 DECLASSIFIED
Class. CHANGED TO: TS S C
DDA Memo, 4 Apr 77
Auth: DDA REG. 77/1763
Date: 22 3 78

JCS review(s) completed.

STATE review(s) completed.

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FAR EAST

3. INDONESIA: MDAP aid rejected--US Ambassador Cochran in Jakarta was informed by Indonesian Foreign Minister Rum that Indonesia does not wish to receive military aid through MDAP. The Foreign Minister emphasized that this action was not indicative of an unfriendly attitude toward the US but derived primarily from his government's fear that: (a) acceptance of MDAP aid would be widely criticized by Communist countries as an indication that Indonesia "had taken sides"; and (b) domestic opposition to the terms of an MDAP agreement might result in the overthrow of the present Cabinet, which is already facing a critical vote of confidence. In response, Cochran pointed out that the Indonesian plan to purchase badly needed military equipment on the US market might be impossible as supplies were limited and allocated in advance.

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4. INDOCHINA: French reverses serious--US Consul Blancke in Hanoi transmits an estimate [redacted] that French forces are having the "fight of their lives" in the Sino-Tonkin border area northeast of Hanoi. [redacted]

[redacted] French troop reserves in Indochina are practically exhausted and [redacted] there are only 400 combat troops left in Hanoi. Blancke admits that Hanoi may be in danger, but he does not feel the Viet Minh are "now organizing a putsch."

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Meanwhile, as an indication of the seriousness with which the French Government views the military situation, Minister for the Associated States of Indochina Letourneau and General Juin, Commander of French Forces in North Africa, are reported to be leaving immediately for Indochina for an on-the-spot inspection.

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T O P S E C R E T

(CIA Comment: The sudden deterioration of the French military position along the China border is probably the result of: (a) effective concentration of Viet Minh forces; (b) excellent Viet Minh intelligence on the timing of the French evacuation of the anchor post at Caobang; and (c) poor French reconnaissance. Loss of the French border posts will greatly facilitate the movement of heavy equipment from China to the Viet Minh.)

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5. KOREA: Dismantling of industries by Communists--US Ambassador Muccio in Seoul reports that at the time of the UN landing at Inchon, the Communist invaders had been engaged in extensive dismantling of industries located in the Inchon-Seoul area. Among the industrial equipment observed to have been in process of removal at the time of the Communist retreat from Seoul are textile machinery, transformers at the Tanginri steam plant, and machine tools of all types at factories located in Seoul, Yongdong Po, and Inchon. Muccio adds that machinery and parts still on premises or in vicinity are being reinstalled.

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